

GOVERNMENT OF IRAQ INCREASINGLY FUNDING IRAQI SECURITY FORCES INFRASTRUCTURE DEVELOPMENT, BUT SUBSTANTIAL U.S. SUPPORT REMAINS

THIS REPORT WAS REVISED ON AUGUST 11, 2008, TO REFLECT A CHANGE IN THE TEXT ON PAGE 6, LINE 4 OF THE SECOND PARAGRAPH. THE SENTENCE, "NEITHER OF THESE TWO APPROPRIATIONS PROVIDES FUNDING FOR THE IRAQI SECURITY FORCES INFRASTRUCTURE DEVELOPMENT," WAS REMOVED.

**SIGIR-08-022
JULY 26, 2008**

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SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

July 26, 2008

MEMORANDUM FOR U.S. AMBASSADOR TO IRAQ
SECRETARY OF DEFENSE
JOINT SECRETARIAT
OSD POLICY EXECUTIVE SECRETARY
COMMANDER, U.S. CENTRAL COMMAND
COMMANDING GENERAL, MULTI-NATIONAL FORCE – IRAQ
COMMANDING GENERAL, MULTI-NATIONAL SECURITY
TRANSITION COMMAND – IRAQ
DIRECTOR, IRAQ TRANSITION ASSISTANCE OFFICE

SUBJECT: Government of Iraq Increasingly Funding Iraqi Security Forces Infrastructure Development, but Substantial U.S. Support Remains (SIGIR 08-022)

We are providing this report for your information and use. It discusses the extent to which the Department of Defense is using the U.S.-appropriated Iraq Security Forces Fund for infrastructure development and the degree to which the Government of Iraq is assuming increased responsibility for funding development of the Iraqi Security Forces. This audit was conducted as Special Inspector General for Iraq Reconstruction (SIGIR) project 8026. It was performed under the authority of Public Law 108-106, as amended, which also incorporates the duties and responsibilities of inspectors general under the Inspector General Act of 1978.

We appreciate the courtesies extended to the SIGIR staff. For additional information on this report, please contact Mr. Glenn Furbish at (703-428-1058/glenn.furbish@sigir.mil).

Stuart W. Bowen, Jr.
Inspector General

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Government of Iraq Increasingly Funding Iraqi Security Forces Infrastructure Development but Substantial U.S. Support Remains

SIGIR-08-022

July 26, 2008

Executive Summary

Introduction

Recently, a congressional committee raised concerns that a significant amount of U.S.-appropriated money from the Iraq Security Forces Fund (ISFF) continues to be spent on infrastructure projects¹ related to developing the Iraqi Security Forces and that the Government of Iraq (GOI) should shoulder more of the financial burden for infrastructure development. This issue gained particular attention when the Department of Defense (DoD) proposed to realign \$590 million of FY 2007 ISFF to infrastructure development from other ISFF accounts.

Because of the congressional interest, the Special Inspector General for Iraq Reconstruction (SIGIR) evaluated:

- the status of U.S.-appropriated ISFF used for infrastructure projects in Iraq, including (1) factors affecting program execution and use of these funds, and (2) spending plans for unobligated funds and unliquidated obligations and
- factors indicating and affecting a shift toward greater use of Iraqi funding to support Iraqi Security Forces infrastructure projects.

Results

Approximately \$4.7 billion, or 30%, of all U.S. funds appropriated for the ISFF have been programmed for infrastructure projects.² As of June 30, 2008, \$944.6 million remains unobligated in the infrastructure sub-activity group, of which \$791.1 million is available for new obligations. The remaining unobligated funds have expired and cannot be used for new obligations. In addition, obligations have been incurred on some ISFF infrastructure projects, but substantial payments have not been made. Some of these projects, such as construction of police stations, were approved in 2006. Difficulties in executing land deeds have resulted in delays in executing some projects. The amount of unobligated balances, as well as funds obligated but not yet expended, suggests that ISFF-supported construction projects will continue at least into 2010.

¹ Infrastructure projects include facilities for military and police units, training academies and areas, detainee operations, and headquarters expenses.

² Excludes \$2.5 billion appropriated in June 2008.

On June 30, 2008, the President signed H.R. 2642 (Public Law 110-252), which provided an additional \$1.5 billion in fiscal year (FY) 2008 supplemental ISFF and \$1.0 billion in FY 2009 ISFF. Both the FY 2008 supplemental appropriation and the FY 2009 appropriation expire on September 30, 2009.

The Government of Iraq's inability to quickly execute its budgets and the need for speedy project execution to take advantage of security gains on the ground have been the key factors creating reliance on the United States to fund and execute infrastructure projects using ISFF. However, available budget information shows a clear trend toward greater reliance on the GOI to fund such projects, with the United States reducing its ISFF support for infrastructure projects.

Matter for Congressional Consideration

The Congress may wish to examine the Multi-National Security Transition Command-Iraq's infrastructure spending plans for the remaining ISFF that have not yet been obligated or expended to identify further opportunities to transfer funding responsibility to the GOI—either on a full-funding or cost-sharing basis. These spending plans are included in this report as Tables 3, 4, and 5.

Management Comments and Audit Response

The Multi-National Security Transition Command-Iraq stated that it will continue to emphasize Government of Iraq full funding or cost sharing across all ISFF categories, including infrastructure. It also updated information on the Government of Iraq having obtained necessary land deeds so that planned construction of police stations using ISFF can resume. We have revised our report to reflect this information.

The Office of the Secretary of Defense-Comptroller provided clarifying comments which were incorporated in this report.

The Joint Contracting Command-Iraq/Afghanistan responded that it had no comments on the draft report.

Introduction

The Iraqi Security Forces comprise the following elements: the Police Service, the National Police, and the Directorate of Border Enforcement, under the Ministry of Interior; the Ground Forces (Army), the Navy, and the Air Force; and Support Forces, under the Ministry of Defense; and the Special Operations Forces under the Counter-Terrorism Bureau.

Recently, a congressional committee raised questions on issues about the amount of U.S.-appropriated Iraq Security Forces Fund (ISFF) spent on infrastructure projects related to developing Iraq's security forces. One issue focuses on having the Government of Iraq (GOI) shoulder more of the financial burden for infrastructure development. This issue gained particular attention when the Department of Defense proposed to realign \$590 million of FY 2007 ISFF to infrastructure development from other ISFF accounts.

Background

U.S. appropriations supporting the reconstruction needs of the Iraqi Security Forces began in 2005. On May 11, 2005, the Emergency Supplemental Appropriations for FY 2005, Public Law 109-13, became effective. This law provided emergency supplemental appropriations to be available for obligation through September 30, 2006, for defense, the global war on terror, and tsunami relief. Included in the legislation was about \$5.5 billion for the ISFF provided to the Department of Defense to be used for the security forces of Iraq, including providing equipment, supplies, services, training, facility and infrastructure repair, renovation, construction, and funding. Additional funds were appropriated for this fund in 2006 and 2007. In addition, on June 30, 2008, the President signed H.R. 2642 (Public Law 110-252) providing an additional \$1.5 billion in FY 2008 supplemental ISFF and \$1.0 billion in FY 2009 ISFF. Table 1 shows the funds appropriated to ISFF and the amounts obligated as of June 30, 2008, and the date of fund expiration unless already expired.

Table 1—Funds Appropriated to the Iraq Security Forces Fund (\$ billions)

Public Law	Date of Enactment	Amount	Obligated	Available Until
109-13	May 11, 2005	\$5.49 ^a	\$5.40	Already expired ^b
109-234	June 15, 2006	3.01	2.91	Already expired ^b
109-289	September 29, 2006	1.70	^c	September 30, 2008
110-28	May 25, 2007	3.84	4.15	September 30, 2008
110-161	December 26, 2007	1.50	0.26	September 30, 2009
Subtotal		\$15.54	\$12.71 ^d	
110-252 (FY 08)	June 30, 2008	1.50	0	September 30, 2009
110-252 (FY 09)	June 30, 2008	1.00	0	September 30, 2009
Total		\$18.04	\$12.71 ^d	

Source: SIGIR analysis of Department of the Army Financial Management System Data – 1002 Report.

Notes:

a Excludes \$210 million transferred to Operations and Maintenance, Army, to reimburse the Army for costs incurred relating to the Iraqi Security Forces, but includes \$99 million for a regional training center in Jordan.

b In accordance with Title 31, United States Code, section 1553, expired funds remain available to the agency to cover appropriate adjustments to obligations. These are considered “in scope” adjustments. In accordance with Title 31, United States Code, section 1552, at the end of the fifth fiscal year after the period of availability ends, the account is closed and any remaining unobligated balance in the account is cancelled.

c Obligated funds appropriated under P.L. 109-289 and P.L. 110-28 are accounted together because they expire at the same time.

d Totals do not add due to rounding.

Infrastructure is one of four sub-activity groups used to categorize ISFF spending. The other three are (1) sustainment, (2) equipment and transportation, and (3) training (see Appendix B for definitions of projects included in each sub-activity group). The greatest percentage of ISFF has gone to the equipment and transportation category followed by infrastructure, which account for 30%. Under its legislative authority, ISFF has been used to fund construction and improvements of police stations, an Army regional training center, national depot maintenance facilities, an air base at Taji, and border enforcement facilities among other infrastructure projects. Table 2 summarizes the ISFF programmed by sub-activity group for FY 2005-2008.

**Table 2—ISFF Programmed by Sub-Activity Group, as of June 30, 2008
(\$ billions)**

Sub-Activity Group	Fiscal Years 2005-2008	
	Programmed	Percent of Total ISFF
Sustainment	\$2.24	14.4%
Infrastructure	4.70 ^a	30.2%
Equipment and Transportation	5.39	34.7%
Training and Operations	2.18	14.0%
Other	1.03	6.6%
Total	\$15.54 ^b	100.0% ^c

Source: SIGIR analysis of Department of the Army Financial Management System Data – 1002 Report as of June 30, 2008.

Notes:

a Includes a May 2008 reprogramming of \$419 million in ISFF to infrastructure from other ISFF sub-activity groups

b Excludes \$1.5 billion in FY 2008 supplemental ISFF appropriation and \$1.0 billion in FY 2009 ISFF appropriation signed by the President on June 30, 2008 (Public Law 110-252).

c Total does not add due to rounding.

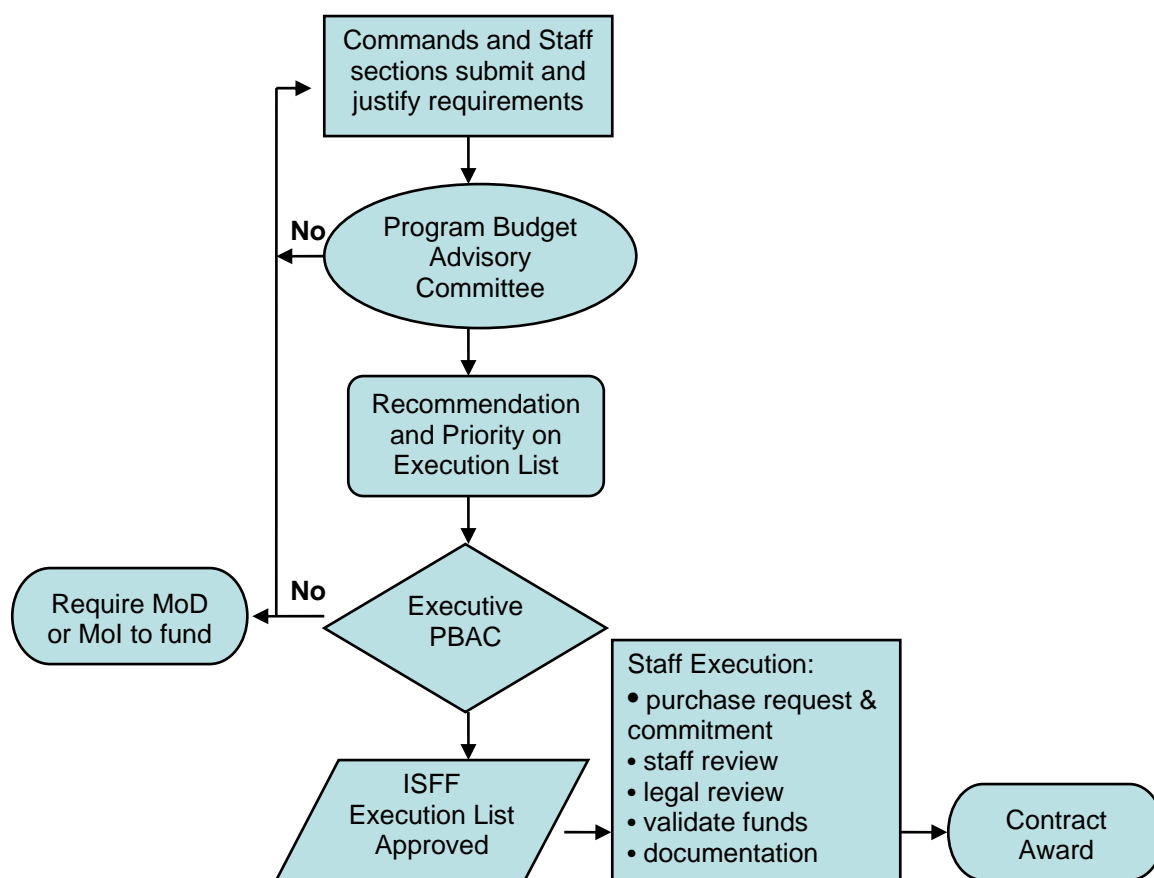
Roles and Responsibilities

In May 2004, National Security Presidential Directive No. 36, “United States Government Operations in Iraq,” assigned responsibility for organizing, equipping, and training Iraqi security forces to the Commander, U.S. Central Command (CENTCOM). CENTCOM’s subordinate command, the Multi-National Force-Iraq (MNF-I), leads this effort. The MNF-I’s major subordinate commands—the Multi-National Security Transition Command-Iraq (MNSTC-I) and the Multi-National Corps-Iraq (MNC-I)—play integral roles in developing and training the Iraqi security forces. MNSTC-I assists the Iraq government in developing, organizing, training, equipping, and sustaining Iraq’s security forces. MNC-I is responsible for the tactical command and control of MNF-I operations in Iraq and works with Iraq’s military at the division, brigade, and battalion levels and with police forces at the provincial, district, and station levels.

Appropriation acts³ providing the ISFF state that these funds “shall be available to the Secretary of Defense . . . for the purpose of allowing the Commander, MNSTC-I . . . to provide assistance . . . to the security forces of Iraq including the provision of equipment, supplies, services, training, facility and infrastructure repair, renovation, and construction . . .” In executing this responsibility, MNSTC-I determines, validates, and executes requirements supporting the security forces in Iraq’s Ministry of Defense (MoD) and Ministry of Interior (MoI), as shown in Figure 1.

³ See Table 1 for a list of public laws authorizing the ISFF to be used to provide assistance to the Iraqi Security Forces and dates of enactment.

Figure 1: MNSTC-I Process for Determining and Validating ISFF Requirements



Source: MNSTC-I J8 Comptroller

Requirements for using ISFF are submitted and justified by MNSTC-I's command and staff sections. They include various coalition advisory and training teams that work with representatives from the MoD and MoI. Once requirements are identified, they are further validated during MNSTC-I's Program Budget Advisory Committee process, where requirements are defended and recommendations made. During the requirement validation process, the Committee may ask the requesting organization to seek full or shared funding from the GOI to support the requirements. According to MNSTC-I's Comptroller, the requesting organization must have already considered other sources of funding (e.g., through the U.S. Foreign Military Sales program or GOI direct contracting) before presenting its requirements to the Program Budget Advisory Committee. One of the questions that the requesting organization must consider is why it is important that MNSTC-I fund this requirement (see Appendix C). At the executive Program Budget Advisory Committee meeting, chaired by the Commander, MNSTC-I, general and flag officers and other senior officials discuss the recommended requirements and make a final decision on the use of ISFF. The approved requirements are then sent to various contracting entities for award.⁴

⁴ Contracting entities include the U.S. Army Corp of Engineers Gulf Region Division, the Joint Contracting Command-Iraq/Afghanistan, the Air Force Center for Engineering and the Environment, the U.S. Army Tank-Automotive and Armaments Command, and the Defense Security Cooperation Agency.

Objectives

Because of the congressional interest, the Special Inspector General for Iraq Reconstruction (SIGIR) evaluated

- the status of U.S.-appropriated ISFF used for infrastructure projects in Iraq, including (1) factors affecting program execution and use of these funds, and (2) spending plans for unobligated funds and unliquidated obligations and
- factors indicating and affecting a shift toward greater use of Iraqi funding to support Iraqi Security Forces infrastructure projects.

To achieve our objectives, we reviewed and analyzed budget and financial data from the Department of the Army, which oversees the budgeting and accounting for ISFF, and from MNSTC-I, which develops the implementation plans for ISFF. We also held discussions with officials from the Office of the Secretary of Defense, the Joint Staff, the Department of the Army, and the U.S. CENTCOM; the Defense Security Cooperation Agency; and MNSTC-I. We obtained obligation and expenditures data from the Corps of Engineers Financial Management System; quarterly reports provided by the Office of Management and Budget, as required by Section 3303(b) of the U.S. Troop Readiness, Veteran's Care, Katrina Recovery, and Iraq Accountability Appropriations Act of 2007 (Public Law 110-28); and the Department of Army Financial Management System and its "1002" reports. We also attended a MNSTC-I Working Program Budget Advisory Committee meeting where ISFF requirements were discussed and approved.

Appendix A provides more information on our scope and methodology. Appendix B contains the definition of the Iraq Security Forces Fund sub-activity groups. Appendix C shows the MNSTC-I Program Budget Advisory Committee submission template. Appendix D lists the acronyms used in the report. Appendix E lists the audit team members.

Status of U.S. Iraq Security Forces Fund Programmed for Infrastructure Development

Approximately \$4.7 billion, or 30%, of U.S. funds appropriated for the ISFF have been programmed for infrastructure projects.⁵ As of June 30, 2008, \$944.6 million remains unobligated in the infrastructure sub-activity group, of which \$791.1 million is available for new obligations. The remaining unobligated funds have expired and cannot be use for new obligations. In addition, obligations have been incurred on some ISFF infrastructure projects, but substantial payments have not been made. Some of these projects, such as the construction of police stations, were approved in 2006.

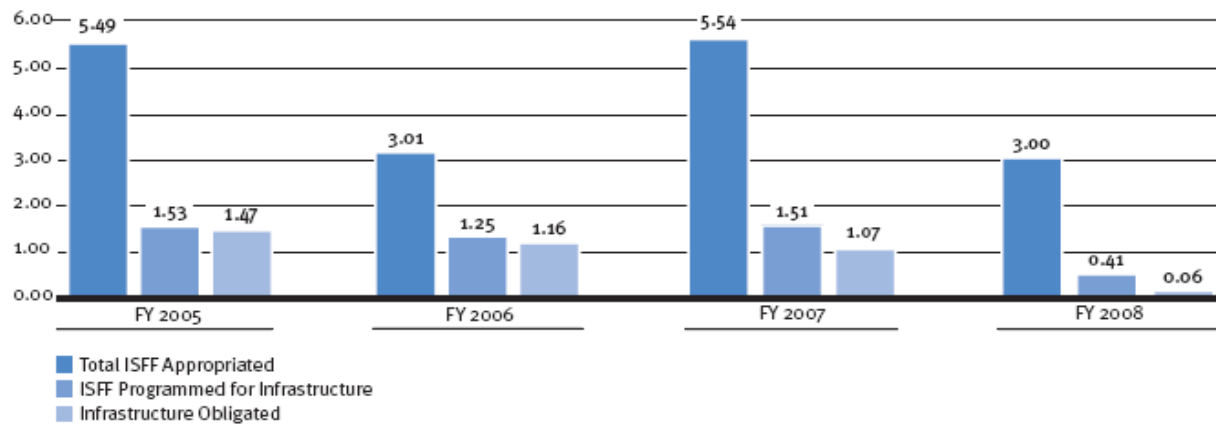
On June 30, 2008, the President signed H.R. 2642 (Public Law 110-252), which provided an additional \$1.5 billion in FY 2008 supplemental ISFF and \$1.0 billion in FY 2009 ISFF. Both the FY 2008 supplemental appropriation and the FY 2009 appropriation expire on September 30, 2009. However, the amount of unobligated balances, as well as funds obligated but not yet expended, suggests that ISFF-supported construction projects will continue at least into 2010.

As of June 30, 2008, \$3.8 billion, or 80%, of the \$4.7 billion programmed for infrastructure development has been obligated for projects supporting the Iraqi Security Forces at the Ministries of Defense and Interior. This leaves \$791.1 million still available for obligation from funds appropriated in FY 2007 and 2008. Fiscal years 2005 and 2006 ISFF appropriations have expired, and unobligated balances in those accounts cannot be used for new obligations.⁶ Figure 2 shows the status of ISFF by fiscal year.

⁵ Excludes \$2.5 billion appropriated in June 2008.

⁶ Expired funds may be used for in-scope adjustments to existing obligations for another five years. For example, if a project using FY 2006 ISFF is still in progress and it makes sense due to changes on the ground to expand that project beyond its originally contracted amount, the Department of Defense may in some cases be able to use expired FY 2006 funds to do so, according to an official in the Office of the Secretary of Defense.

Figure 2: ISFF Infrastructure Fund Status by Year of Appropriation, as of June 30, 2008 (\$ billions)



Source: SIGIR analysis of Department of the Army Financial Management System Data – 1002 Report as of June 30, 2008

Note:

FY 2008 ISFF appropriation includes the recently enacted \$1.5 billion supplemental.

Spending Plans for Unobligated ISFF Infrastructure Funding

MNSTC-I still has \$791.1 million of the fiscal years 2007 and 2008 ISFF programmed for infrastructure available for obligation until September 30, 2008 and 2009, respectively. This means that U.S.-funded infrastructure projects will likely be under construction at least into 2010. The amount of FY 2007 funds still available for obligation is partly due to a recent reprogramming action reallocating \$419 million from other ISFF sub-activity groups to the infrastructure sub-activity group—although the amount is less than initially proposed.

Spending Plan for Unobligated FY 2007 ISFF Infrastructure

As of June 30, 2008, almost \$1.07 billion of FY 2007 ISFF programmed for infrastructure projects had been obligated, leaving approximately \$440 million unobligated from the \$1.51 billion programming objective. These funds are available for obligation until September 30, 2008, after which time they expire.

The majority of the \$440 million remaining is the result of a recent realignment of the ISFF in which \$419 million was added to infrastructure development from other sub-activity groups. MNSTC-I requested the realignment to meet the operational needs of the Iraqi Security Forces. Under the DoD Appropriations Act, 2007 (Public Law 109-289), the Secretary of Defense must notify congressional defense committees when appropriated funds within the ISFF are realigned. On April 3, 2008, the Secretary of Defense notified the Congress of his intent to realign \$610 million. The proposal would shift \$590 million from other ISFF sub-activity groups (predominantly from the sustainment and equipment categories) to infrastructure development and \$20 million for training Iraqi Security Forces. Of the funds proposed to be transferred to

infrastructure development, MNSTC-I planned to use \$171 million to build 55 police stations on a cost-sharing basis with the Iraq Ministry of Interior.

On May 8, 2008, the Secretary of Defense revised his proposal and informed the Congress that he would realign \$439 million (\$419 million for infrastructure development and \$20 million for training). This revision came after an April 10, 2008, hearing in which the Secretary of Defense testified about the ISFF. In a post-hearing letter, the Chairman of the Senate Committee on Armed Services asked that the Secretary of Defense not proceed with the reallocation. In response, the Secretary of Defense stated that he reviewed "...the entire reallocation request, item by item" and removed \$171 million that was previously identified for police station construction. Officials from DoD stated that because the MoI had agreed to pay 26% of construction costs in an earlier cost-sharing arrangement, it could be asked to pay for all associated costs of the additional police stations.

For the FY 2007 ISFF programmed for infrastructure development that remains unobligated, MNSTC-I plans to use the funds for projects listed in Table 3.

Table 3—Spending Plan for Unobligated 2007 ISFF for Infrastructure Development as of June 30, 2008 (Funds Expire on September 30, 2008) (\$ Millions)

Project	Estimated Cost
Ministry of Defense	
Basing for Support Units At Tikrit, Al Amarah, Al Asad, Rustimiyah, Tallil, Al Kasik, Al Habbaniyah, Kirkush, Numaniyah and Taji	\$82
Air Force Center for Engineering and the Environment Cost to Complete	44
Besmaya Maneuver Center	30
Kirkuk Regional Air Base Infrastructure Improvements	23
Al Muthana Air Base Infrastructure Improvements	21
Taji National Depot Maintenance Area	20
Ammunition Supply Point	20
10 th Division Headquarters Cost to Complete	17
Division Training Center Infrastructure	15
Taji Air Base Infrastructure Improvements	10
Ministry of Interior	
Construct National Police Sustainment Brigade Headquarters	60
Ministry of Interior Training Base Expansion	42
Provincial Police Station (12)	33
National Police Site One Restoration	11
Construction of Department of Border Enforcement Infrastructure	9
Expedient Police Stations (3)	3
National Forensic Laboratory Upgrades	2
Total	\$442^a

Source: MNSTC-I J8 (Comptroller)

Notes:

^a Spending plan information provided in Table 3 by MNSTC-I does not reconcile with the \$439 million contained in the Department of Army Financial Management System.

Spending Plan for Unobligated FY 2008 ISFF Infrastructure

In December 2007, the Congress appropriated \$1.5 billion in ISFF, which is available for obligation until September 30, 2009. Of this amount, \$408.5 million is planned for infrastructure development for both the Ministries of Defense and Interior. As of June 30, 2008, MNSTC-I had obligated \$56.1 million for infrastructure projects, including the Al Shab Location Command and Air Traffic Control Towers at Taji and Kirkuk Regional Air Bases. The remaining \$352.4 million has not been obligated. Table 4 shows how MNSTC-I plans to use the unobligated funds.

Table 4—Spending Plan for Unobligated 2008 ISFF for Infrastructure Development as of June 30, 2008 (Funds Expire on September 30, 2009) (\$ Millions)

Project	Estimated Cost
Ministry of Defense	
Air Force Center for Engineering and the Environment Cost to Complete Infrastructure Projects	\$102.0
Besmaya Maneuver Center	30.0
Air Force Center for Engineering and the Environment Civilian Pay and Contracting Support	20.0
Iraqi Special Operations Forces Support Battalions	18.8
Ammunition Supply Points	18.6
Armor School Annex at Besmaya	15.0
Air Traffic Control Tower at Kirkuk Regional Air Base	10.0
Iraqi Naval Barracks Infrastructure	8.0
Site Surveys for Iraqi Air Force Bases	6.9
Training School and Maintenance Facility (Kirkuk or Taji)	2.5
Ministry of Interior	
National Police Forward Operating Bases in Baghdad Perimeter (4)	72.0
Provincial Police Stations (11)	33.0
National Police Site 11 Force Protection	2.0
Baghdad Criminal Investigation Department 2	1.8
Baghdad Police College Restroom Restoration	1.2
Total	\$341.8^a

Source: MNSTC-I J8 (Comptroller)

Notes:

^a Spending plan information provided in Table 4 by MNSTC-I does not reconcile with the \$352.4 million contained in the Department of Army Financial Management System.

On June 30, 2008, the President signed H.R. 2642 (Public Law 110-252) providing an additional \$1.5 billion in FY 2008 supplemental ISFF. However, no funding was provided in this supplemental for infrastructure development. These funds also expire on September 30, 2009.

ISFF Obligations Where Substantial Payments Remain

In addition to unobligated ISFF, obligations have been incurred for infrastructure projects, but payments have not been made. Some of these projects, such as the construction of police stations, were approved in 2006. Table 5 shows infrastructure projects for which obligations have been created and which carry outstanding balances of greater than \$10 million.

Table 5—Infrastructure Projects for Which Obligations Have Been Created, but \$10 Million or More Remains Unpaid as of May 20, 2008

Approval Date	Fiscal Year of Funding	Project Description	Obligation	Disbursement	Balance
05-Apr-06	2006	Assessment and Renovation/Construction of Police Stations in Baghdad	\$17,943,685	\$6,070,743	\$11,872,942
04-Sep-06	2006	Construction of 100 Iraqi Police Stations and Construction Estimates for 10 Police Stations	32,949,123	4,783,193	28,165,930
04-Sep-06	2006	Construction of 100 Iraqi Police Stations and Construction Estimates for 10 Police Stations	28,293,754	16,440,165	11,853,589
17-Feb-07	2007	Warehouse Upgrades at Taji National Depot	22,167,299	4,174,318	17,992,981
17-Feb-07	2007	Construction of CRSP Yard at Taji National Depot	14,551,287	3,241,630	11,309,657
08-Apr-07	2006	Construction of Facilities for 4th Brigade, 9th Division, Iraqi Army at Taji	31,804,561	19,716,713	12,087,848
30-Jun-07	2007	Construction of Facilities for Special Operations Forces, West Baghdad International Airport, Iraq	24,768,010	14,598,123	10,169,887
07-Sep-07	2007	DGIS National Headquarters Building	33,560,000	0	33,560,000
08-Sep-07	2007	Construction-Cost Plus Fixed Fee	13,740,070	1,282,839	12,457,231
25-Sep-07	2006	Construct/Renovate Ministry of Interior Investigations & Regional Bureau, Central Headquarters	17,030,616	6,755,875	10,274,741
26-Sep-07	2007	Construction of 5th Division Forward Operating Base Lion/Gabe, Iraq	14,996,896	4,367,554	10,629,342
01-Feb-08	2007	Renovation of Multiple Police Stations	12,990,883	86,508	12,904,375
28-Feb-08	2007	Plan, Develop, and Install Recruit Training Center, Baghdad Police College	23,932,695	1,443,728	22,488,967
13-Mar-08	2007	Construction Efforts, Iraqi Air Force Flight School	23,504,735	0	23,504,735
15-Mar-08	2007	Construction Efforts Cost Plus Fixed Fee	14,642,120	0	14,642,120
01-May-08	2007	Baghdad Police College Phase III Expansion	19,170,000	0	19,170,000
01-May-08	2008	Iraqi Special Operations Forces RCB at Diyala	14,600,000	0	14,600,000
01-May-08	2008	Namab (Al Muthana) Regional Infrastructure RPR/CNS Ramp Phases I and II	10,300,000	0	10,300,000
02-May-08	2008	Iraqi Special Operations Forces RCB at Basara	13,700,000	0	13,700,000
11-May-08	2008	Design and Construction of Command at Al Shaiba, Iraq	42,668,300	0	42,668,300
19-May-08	2007	Taji Air Traffic Control Tower	10,650,000	0	10,650,000
19-May-08	2007	Kirkuk Air Traffic Control Tower	10,650,000	0	10,650,000
Total			\$448,614,035	\$82,961,388	\$365,652,647

Source: Corps of Engineers Financial Management System

Obtaining Land Deeds Is a Challenge

One of the challenges for the MoI infrastructure program that has caused delays in executing construction projects, according to MNSTC-I officials, has been the difficulty in obtaining land deeds for the construction of police stations. Until the land deeds are obtained, contracts for construction of these police stations cannot be executed and funds cannot be obligated. For example, in February 2008, the MNSTC-I Directorate of Interior Affairs received a request from MNC-I for construction of 130 police stations deemed critical to the security mission of the Iraqi Security Forces. The Directorate of Interior Affairs (DoIA) obtained approval for \$125 million of the ISFF for construction of the first 49 stations, which were prioritized with input and participation by the Provincial Directors of Police. However, before these projects can be submitted for contracting, DoIA requires land deeds. MNSTC-I stated that effective July 2, 2008, the GOI obtained the land deeds and that action to contract for construction of the remaining police stations using ISFF has resumed.

In another case, the Directorate of Interior Affairs stated that as part of the Baghdad Expansion Plan that began in August 2007, the Directorate of Interior Affairs committed to building permanent police stations for the Baghdad police chiefs at 31 locations, including Kassrah and Hy Al Lam. However, to build permanent police stations, the Directorate of Interior Affairs must have land deeds, which were not provided for 15 of the 31 stations. As a result, in May 2008, the Directorate of Interior Affairs notified MNC-I that it would not be able to build the Kassrah and Hy Al Lam Stations.

Shift Toward Greater Emphasis on Iraq Funding of Iraqi Security Forces Infrastructure Needs

Capacity and speed of execution have been the principal factors we identified as having created reliance on the United States to fund and execute the Iraqi Security Forces infrastructure projects in the past. More recently, available information indicates a shift toward greater reliance on the Iraq government to fund such projects, with the United States providing support in executing the projects.

Project Execution Has Been the Key Driver in Decisions to Use ISFF

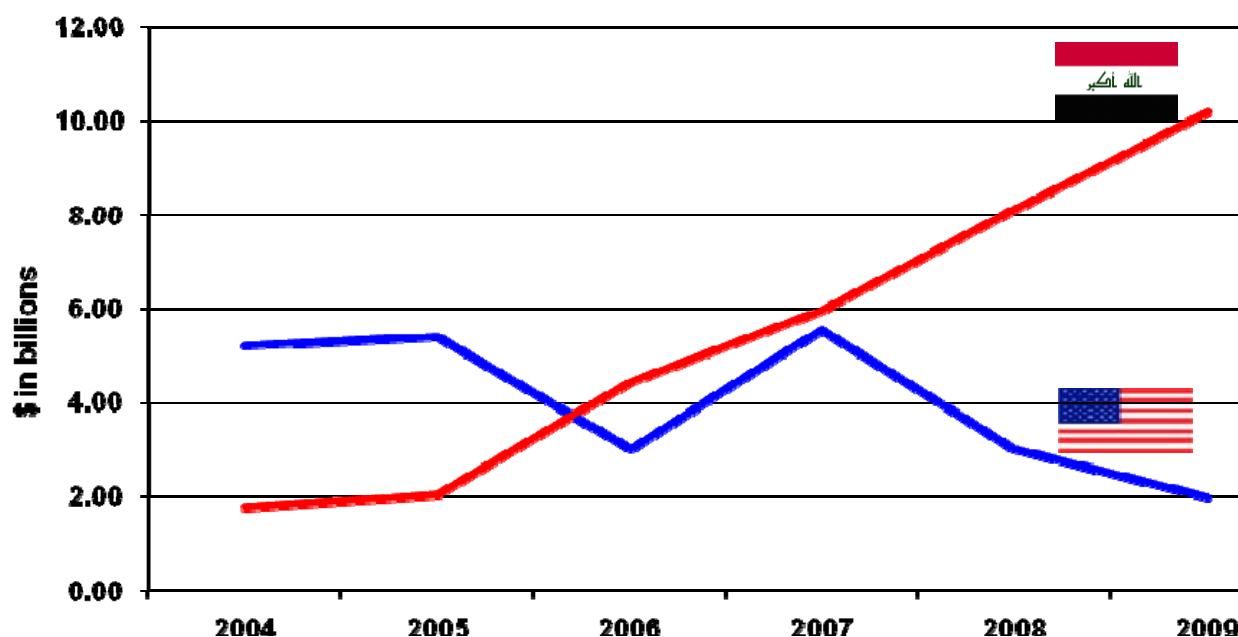
OSD officials stated that speed of execution and the need to take advantage of security gains on the ground have driven the decision to use ISFF rather than requesting the GOI to fund infrastructure-related projects. According to the officials, contracting for construction projects under the MoD can take from 70 to 314 days, while under the MoI the process can take 71 to 90 days. Iraqi law also requires that MoD and MoI projects be identified and approved for inclusion in the following year's capital budget by March prior to the year of execution. Thus, ISFF more quickly meets emerging security requirements. Also, the GOI is using the U.S. Foreign Military Sales (FMS) system to acquire material and services.

Government of Iraq Expenditures for Iraqi Security Forces

Recently, the Commander, MNF-I, stated that the GOI has an increasing responsibility and an increasing ability to fund reconstruction and security operations in Iraq, and it is making progress toward assuming a greater share of the cost. On April 8-9, 2008, he testified that the Iraqi security ministries were steadily improving their ability to execute their budgets and in both 2006 and 2007 these ministries had spent more on Iraqi Security Forces than the United States. He added that it was anticipated that Iraq would spend over \$8 billion on security in 2008 and \$11 billion in 2009, which would allow the United States to reduce its ISFF budget request for FY 2009 from \$5.1 billion to \$2.8 billion.

He acknowledged that an important limiting factor is the Iraq government's capability, but said that this is gradually improving as evidenced by an increase in budget execution last year. Figure 3 compares the expenditure rates of the United States and the GOI for the Iraqi Security Forces.

Figure 3—U.S. and GOI Expenditures for Iraqi Security Forces (\$ billions)



Source: MNSTC-I Comptroller (J8)

The administration's expectation that the Iraqi government would take on a larger funding role is also reflected in the DoD's budget request for FY 2009, which did not contain a request for funding of the ISFF infrastructure sub-activity group. MNSTC-I has made several cost-sharing arrangements with the GOI to partially fund some infrastructure requirements. In such arrangements, the MoD and MoI use a combination of direct contracting and Foreign Military Sales to facilitate cost sharing. For services and materials acquired through the Foreign Military Sales program, the Defense Security and Cooperation Agency and the U.S. Treasury pay vendors with Iraqi funds. Current infrastructure cost-sharing projects include border enforcement facilities, with the GoI contributing \$25.4 million and the United States contributing \$191.5 million, and a headquarters complex for the Iraqi National Police, with the GOI contributing \$52.5 million and the United States \$18 million. In addition, the GOI provided \$349.6 million in 2007 for fifteen infrastructure projects.

In the June 16, 2008 Program Budget Advisory Committee meeting, several of the new requirements presented to committee members were also cost-sharing arrangements, including requests for infrastructure projects. However, some MNSTC-I organizations requested that ISFF funds, rather than GOI funds, be used to support these requirements. These organizations stated that Foreign Military Sales or other Iraqi-funded avenues were not possible because the GOI did not have the processes, procedures, or technical capability in place to facilitate timely execution of the projects and that the Foreign Military Sales program was not a timely solution. However, DoD officials stated that as ministry capacity increases and matures, it will continue to work with the GOI to transfer additional ISFF responsibilities to the GOI.

In addition, the Defense Security and Cooperation Agency announced in May 2008 that the GOI had initiated efforts to obtain technical assistance from the Corps of Engineers for engineering, planning, design, acquisition, contract administration, construction management, and other

technical services for Iraqi Security Forces facilities and infrastructure construction. The facilities and infrastructure planned include new barracks and facilities, maintenance and supply buildings, brigade headquarters, and utility systems. The estimated cost is \$450 million.

Conclusions and Matter for Congressional Consideration

Conclusions

U.S.-funded ISFF infrastructure spending has gradually and steadily shifted to funding by the Government of Iraq. The key driver in the speed of this shift is the ability of the Government of Iraq to quickly budget, contract for, begin, and complete needed projects. Further contributing to the shift is the encouragement exerted by the Congress as it makes its preferences known to the Department of Defense.

In spite of the positive trend, the inability of the GOI to effectively execute its budget continues to inhibit a more speedy transfer of funding responsibility from U.S.-funded ISFF to the GOI. As a result, substantial U.S.-appropriated funds remain available for infrastructure projects. These funds will be available for obligation through September 2009 with expenditures likely extending into 2010. Some projects, such as the construction of police stations for the Ministry of Interior, may be more quickly transitioned to funding by the GOI, as was done with the recent DoD request for realignment of FY 2007 ISFF.

Matter for Congressional Consideration

The Congress may wish to examine DoD's spending plans for the remaining ISFF that have not yet been obligated or expended to identify further opportunities for transferring funding responsibility to the GOI—either on a full-funding or cost-sharing basis. These spending plans are included in this report in Tables 3, 4, and 5.

Management Comments and Audit Response

The Multi-National Security Transition Command-Iraq stated that it will continue to emphasize Government of Iraq full funding or cost sharing across all ISFF categories, including infrastructure. It also updated information on the Government of Iraq having obtained necessary land deeds so that planned construction of police stations using ISFF can resume. We have revised our report to reflect this information.

The Office of the Secretary of Defense-Comptroller provided clarifying comments which were incorporated in this report.

The Joint Contracting Command-Iraq/Afghanistan responded that it had no comments on the draft report.

Appendix A—Scope and Methodology

Because of congressional interest, the Special Inspector General for Iraq Reconstruction (SIGIR) evaluated

- the status of U.S.-appropriated ISFF used for infrastructure projects in Iraq, including (1) factors affecting program execution and use of these funds and (2) spending plans for unobligated funds and unliquidated obligations and
- factors indicating and affecting a shift toward greater use of Iraqi funding to support Iraqi Security Forces infrastructure projects.

This audit was performed under the authority of Public Law 108-106, as amended, which also incorporates the duties and responsibilities of inspectors general under the Inspector General Act of 1978, as amended.

To achieve our objectives, we reviewed and analyzed budget and financial data from the Department of the Army, which oversees the budgeting and accounting for ISFF, and from the Multi-National Security Transition Command-Iraq, which develops the implementation plans for use of ISFF. We also held discussions with officials from the Office of the Secretary of Defense, the Joint Staff, the Department of the Army, the U.S. Central Command, the Defense Security Cooperation Agency, the Multi-National Security Transition Command-Iraq, and Multi-National Force-Iraq. We obtained obligation and expenditures data from the Corps of Engineers Financial Management System; quarterly reports provided by the Office of Management and Budget, as required by Section 3303(b) of the U.S. Troop Readiness, Veteran's Care, Katrina Recovery, and Iraq Accountability Appropriations Act of 2007 (P.L. 110-28); and from the Department of Army Financial Management System and its "1002" reports. We also attended an MNSTC-I Working Program, Budget, and Advisory meeting where ISFF requirements were discussed and approved.

We performed our work in Arlington, Virginia, and Baghdad, Iraq. We conducted this performance audit from May through July 2008 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our results based on our audit objectives. Based on those objectives, we believe that the evidence obtained provides a reasonable basis for our results.

Use of Computer-Processed Data

SIGIR did not use any computer process data during this audit except for the financial information discussed below.

SIGIR extensively used financial information from various DoD Financial Management Systems. We did not independently verify the overall integrity of the financial information. We reviewed other audit reports that included evaluations of aspects of the output from these financial systems and found no material deficiencies. For example, in an earlier review, we

tested DoD controls over \$9.2 billion in disbursements and in all instances found that DoD disbursements could be matched with obligations in accounting records. Thus, we believe that the financial obligation and expenditure information used in this report reasonably supports our overall results.

Internal Controls

We reviewed the controls in place to identify and approve projects for use of the ISFF and compared the projects identified with subsequent obligation and expenditure amounts. While we used financial information from the DoD financial management system, we did not perform an overall evaluation of the system.

Related Reports by SIGIR and Others

Interim Analysis of Iraqi Security Forces Information Provided By The Department of Defense Report, Measuring Stability and Security in Iraq, SIGIR-080015, April 25, 2008.

Operation Iraqi Freedom: DoD Assessment of Iraqi Security Forces' Units as Independent Not Clear Because ISF Support Capabilities Are Not Fully Developed, GAO-08-143R, November 30, 2007.

Management of the Iraq Security Forces Fund in Southwest Asia - Phase III, D-2008-026, Inspector General, United States Department of Defense, November 30, 2007.

The Report of the Independent Commission on the Security Forces of Iraq, September 6, 2007.

Securing, Stabilizing, and Rebuilding Iraq: Iraqi Government Has Not Met Most Legislative, Security, and Economic Benchmarks, GAO-07-1195, September 4, 2007.

Stand Up and Be Counted: The Continuing Challenge of Building the Iraqi Security Forces. House Armed Services Committee, Subcommittee on Oversight & Investigations, June 27, 2007.

Stabilizing Iraq: Factors Impeding the Development of Capable Iraqi Security Forces, GAO-07-612T, March 13, 2007.

Management of the Iraq Security Forces Fund in Southwest Asia - Phase II, D-2007-064, Inspector General, United States Department of Defense, February 12, 2007.

Review of Iraq Relief and Reconstruction Fund Unmatched Disbursements, SIGIR-06-043, January 30, 2007.

Management of the Iraq Security Forces Fund in Southwest Asia - Phase I, D-2007-030, Inspector General, United States Department of Defense, December 8, 2006.

Iraqi Security Forces: Weapons Provided by the U.S. Department of Defense Using the Iraq Relief and Reconstruction Fund, SIGIR-06-033, October 28, 2006.

Iraqi Security Forces: Review of Plans to Implement Logistics Capabilities, SIGIR-06-032, October 28, 2006.

Stabilizing Iraq: An Assessment of the Security Situation, GAO-06-1094T, September 11, 2006.

Appendix B—Iraq Security Forces Fund Sub-Activity Group Definitions

Sustainment: Weapons, ammunition, and contracted activities, such as logistics support, maintenance, and other services.

Infrastructure: Facilities for military and police units, training academies and areas, detainee operations, and headquarters expenses.

Equipment and Transportation: Equipment and transportation for security forces and police, contracted security, force protection (including vehicle modifications), vehicles, organizational clothing, office furniture, and communications equipment.

Training: Military and police training, institutional development, instructor support, medical and office equipment, training aids, aircraft support, and information technology equipment and services.

Appendix C—Program Budget Advisory Committee Submission Template



PBAC Submission Template

- Cost:
- Date funds required:
- POC: Name and office symbol
- Number Among your submissions: x of x
- Category: Training, sustainment, infrastructure or equipment
- J-Book Project: (Entered by Log Spt)
- CG Priority: (Entered by Log Spt)
- CG Micro Priority: (Entered by Log Spt)

Description: 1-2 line description

Justification

Who? (Identify end-user: e.g., NP, DBE, Province, etc.)

What?

Delivery? (Date this is needed and/or will be delivered)

Where?

Why? (Why is this necessary; what will this be used for?)

Impact if not funded?

Reason FMS or other Iraqi funded avenues are not possible: Outcome of FMS discussions, MOD/MOI POC, FMS POC (who you talked to at the SAO office)

Coordinated through functional: (e.g., J4, J7, MNC-I, etc.)

Is action consistent with other similar locations/teams/missions? For example, are we providing the same level of computer, phone, or vehicle support across all training bases. If no, what is unique in this case which requires a different standard?

Is this a stand alone requirement? If no, what else is required (utilities, IT support, security, etc.)?

Are there future variable costs? For example, are there plans for support, maintenance, fuel, replenishment/replacement. If yes, elaborate?

What is the Return on Investment? Elaborate why this is important (e.g., why should MNSTC-I fund this?)

Appendix D—Acronyms

Acronym	Description
CENTCOM	U.S. Central Command
DoD	Department of Defense
DoIA	Directorate of Interior Affairs
GOI	Government of Iraq
FMS	Foreign Military Sales
ISFF	Iraq Security Forces Fund
MNC-I	Multi-National Corps-Iraq
MNF-I	Multi-National Force-Iraq
MNSTC-I	Multi-National Security Transition Command-Iraq
MoD	Ministry of Defense
MoI	Ministry of Interior
SIGIR	Special Inspector General for Iraq Reconstruction

Appendix E—Audit Team Members

This report was prepared, and the audit work conducted, under the direction of David R. Warren, Assistant Inspector General for Audit, Office of the Special Inspector General for Iraq Reconstruction. Staff members who contributed to the report include:

Tinh Nguyen

Charles Thompson

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